

Retired Edition Winter 2011

## Information is Power!

New retirement planning seminars in development

What is the #1 reason people are not prepared for retirement? Procrastination. The notion that there will always be a tomorrow has many people putting off saving and planning for retirement. There is an old saying, "If you fail to plan, then you plan to fail." We at OPERS want you to have the information and tools to build a solid retirement plan.

Building upon the success of our Pre-Retirement Seminar, we are developing two retirement planning seminars to help to be better prepared at every stage of life leading up to retirement. We have partnered with the International Foundation for Retirement Education (InfRE) to develop the *Controlling Your Financial Future* and *Retirement Income Management* seminars. These seminars go beyond basic plan information to provide useful tools to help you to take control of your retirement plan.

Several months ago, OPERS held a focus group with a small number of employer representatives who got a taste of the new seminars. The feedback we received was overwhelmingly positive and 100% of the focus group would recommend these courses to their employees. OPERS will be reaching out to these employers after the seminars are fully developed to create test audiences before opening the doors to our nearly 80,000 active, vested and retired members.

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See Inside:



**RETIREMENT  
BY DESIGN**

ANNUAL FINANCIAL REPORT SUMMARY

For the Fiscal Year Ended June 30, 2010

### *The Director's Corner* **Pension Reform Isn't Painless** *Tom Spencer, Executive Director*

As a veteran state employee, I've seen my fair share of "reform." The cynic in me says quietly to myself, "AGAIN?" We all know that periodically reform is desperately needed, but extremely difficult to attain. Such is the case of pension reform in Oklahoma.

The pension plans have seen their share of reforms in the last few decades. In the 1980s, all of Oklahoma's state-sponsored retirement systems were placed under the "prudent investor" standard, mandatory competitive selection processes were adopted for the selection of investment managers, and a Pension Commission was created to provide oversight of the investment performance of the systems. Sadly, as the administration and management were reformed, the 1990s were marked by benefit increases without a higher infusion of funds to pay for the increased liabilities. The roaring stock market of the 1990s gave policy makers a false sense of invincibility for its pension funds. They apparently thought that double-digit investment returns would last indefinitely. They had no problem with raising benefits retroactively and lowering the amount of contributions going to the system.

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# RETIREMENT 101

## Retirement Readiness

How are you preparing yourself for retirement?

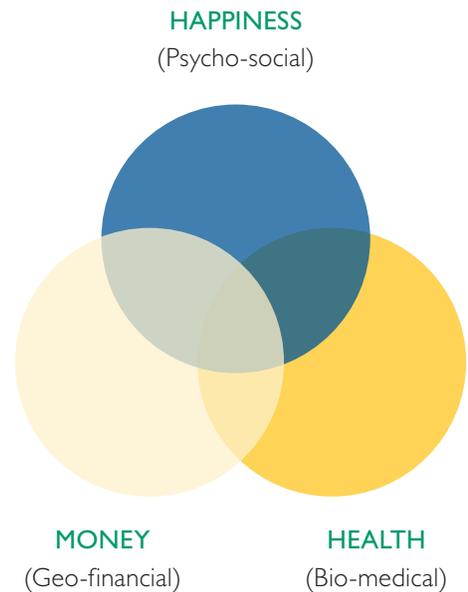
As mentioned in the cover article, OPERS has partnered with InFRE to develop two new retirement education seminars for OPERS members. The overarching goal of these new programs is to help you be more prepared to maximize your well-being in retirement.

Think about that for a moment – well-being in retirement. How would *you* define well-being? What comes to mind? Is it financial? Good health? Being surrounded by friends and family? If you answered *all of the above*, you are well on your way to retirement readiness.

If you use the traditional definitions of successful retirement planning, you find them to be fairly one-dimensional focusing primarily on the financial. The old rule of thumb being you need to replace somewhere between 70-85% of your pre-retirement income to maintain your current standard of living. So, is that it? Well, for some, maybe it is. What about for those of us who think there is more to retirement than just a dollar figure?

InFRE has developed what they call a *Retirement Readiness Model* consisting of three essential factors: Happiness, Money and Health. More specifically, we are talking about readiness in the following ways:

- ▶ **HAPPINESS** This factor in your planning combines the *psychological* and *social* aspects of retirement. When you retire, how will you replace the meaning and engagement you get from work, i.e., the social interactions with your colleagues, challenges from work projects, and just basic structure to your day?
- ▶ **MONEY** The most tangible aspects of retirement planning are *financial* and *geographical*. At its most basic, we are talking about how much do you need financially and what are the location-specific issues facing you in retirement. This includes such things as selling or downsizing your home, regional cost of living, or as simple as will your house accommodate you if your physical capabilities deteriorate (ease of access, stairs, etc.).
- ▶ **HEALTH** The *biological* aspect of retirement planning includes how long and how healthy might you expect to live based on your family history. The *medical* aspect considers your medical expenses increasing disproportionately as you age. Does your retirement plan include Medicare, health insurance supplements or other types of insurance to help protect you against the risk of getting sick? Your plan also needs to address end-of-life issues, such as long-term care.



These different aspects of your retirement plan work together to help provide a more detailed approach to your retirement preparations. For example, you may be considering buying a new condo in sunny Florida. Spring training baseball and fresh-squeezed orange juice sounds pretty inviting. This one decision, however, will create a string of new decisions to make. What's the difference in the cost-of-living by moving to Florida? Are you the type of person who meets people easily to establish a new social network in an unfamiliar place? Have you considered the quality of health care near where you plan to relocate and are you ready to change doctors and insurance carriers? Who will be there to help you if the unexpected happens and your family is still in Oklahoma? Can you afford to pay for someone else to provide that care for you should the need arise?

Retirement can and should be a time of great excitement and provide a sense of reward for years of hard work. So if you're dreaming of that new life in Florida, keep it alive. Just be sure to ask yourself the right questions as you design your plan. Before you make the leap, think about the different aspects of health (bio-medical), happiness (psycho-social) and money (geo-financial) to determine what kind of life you are retiring to and if you looked beyond just the dollars and cents of taking the retirement plunge.



## Oklahoma Public Employees Retirement System

### ANNUAL FINANCIAL REPORT SUMMARY

# RETIREMENT BY DESIGN

For the Fiscal Year Ended June 30, 2010

#### Dear Esteemed Member:

This edition of the Comprehensive Annual Financial Report, entitled *Retirement by Design*, pays tribute to several of Oklahoma's architectural masterpieces. Similar to the creation of these magnificent structures, successful retirement planning requires imagination, focus, and – most importantly – a sound design.

The traditional definition of retirement continues to change. We are living longer and have higher expectations for an enjoyable and extended retirement. Preparation for a rewarding life after work is more than merely a matter of dollars and cents. We should all strive for a retirement plan that takes into consideration our health and lifestyle in addition to our financial concerns. Successful planning focuses on the life we are retiring *to*, not just the career we are retiring *from*.

OPERS is committed to helping you throughout your career in public service to become better prepared for retirement. One of the ways we are doing this is the continued development of member education materials and seminars on retirement and financial planning at every stage of life leading up to and beyond retirement.

Retirement is a journey, not a destination. The financial pressures of life require timely consideration and action. Procrastination is the greatest obstacle to being prepared for retirement. OPERS will continue to be there for you with timely educational programs, informative publications, and a courteous, professional staff as you design the retirement that celebrates your service to the citizens of Oklahoma. We hope you find this report informative.

Tom Spencer  
*Executive Director, OPERS*

**OPERS** was established in 1964 by the Oklahoma Legislature. As of June 30, 2010, the Plan consisted of 279 participating employers comprised of state, county, and local agencies. The membership includes 43,934 active members, 5,560 inactive members, and 28,009 retirees and beneficiaries.

**The 2010 Annual Financial Report of the Oklahoma Public Employees Retirement System contains summary financial information from the 2010 Comprehensive Annual Financial Report. The full report can be viewed in its entirety online at [www.opers.ok.gov/publications](http://www.opers.ok.gov/publications), or a hard copy may be obtained in writing to the Oklahoma Public Employees Retirement System at P.O. Box 53007, Oklahoma City, Oklahoma 73152-3007, or by calling 1-800-733-9008.**

## Plan Net Assets

Plan net assets are assets less liabilities held in trust for payment of monthly retirement benefits and other qualified distributions to OPERS members. A summary of net assets held in trust for benefits on June 30, 2010, 2009, and 2008, is shown below. As of June 30, 2010, OPERS net assets were approximately \$5.8 billion.

### Condensed Schedules of Plan Net Assets

(\$ millions)	June 30,		
	2010	2009	2008
Cash and cash equivalents	\$ 157.4	\$ 64.6	\$ 61.5
Receivables	307.8	471.3	364.9
Investments	5,766.9	5,220.6	6,346.3
Securities lending collateral	615.5	785.1	863.1
Property and equipment	0.7	0.4	0.6
Other assets	0.2	0.1	0.1
<b>Total assets</b>	<b>6,848.5</b>	<b>6,542.1</b>	<b>7,636.5</b>
Other liabilities	458.6	572.7	518.2
Securities lending collateral	615.5	795.9	863.1
<b>Total liabilities</b>	<b>1,074.1</b>	<b>1,368.6</b>	<b>1,381.3</b>
Ending net assets held in trust for benefits	\$ 5,774.4	\$ 5,173.5	\$ 6,255.2

### Changes in Plan Net Assets

OPERS is funded through a combination of member contributions, employer contributions and investment earnings. For fiscal year 2010, plan net assets increased primarily as a result of the rebounding market in all asset classes and increased employer contribution rates.

Deductions to plan net assets are incurred primarily for the purpose for which OPERS was created, namely the payment of benefits to retirees. In fiscal year 2010, retirement, death and survivor benefits increased primarily due to the increase in the number of retired members and an increase in the average benefit. Refunds and withdrawals decreased as fewer participants withdrew their contributions on severance of service. Administrative expenses decreased primarily due to the reclassification and capitalization of internally generated computer software.

### Condensed Schedules of Changes in Plan Net Assets

(\$ millions)	June 30,		
	2010	2009	2008
Member contributions	\$ 69.0	\$ 68.7	\$ 66.7
State and local agency contributions	259.8	243.0	220.0
Net investment income (loss)	716.9	(967.3)	(276.6)
<b>Total additions</b>	<b>1,045.7</b>	<b>(655.6)</b>	<b>10.1</b>
Retirement, death and survivor benefits	429.3	410.0	378.0
Refunds and withdrawals	11.0	11.5	12.8
Administrative expenses	4.5	4.6	4.6
<b>Total deductions</b>	<b>444.8</b>	<b>426.1</b>	<b>395.4</b>
Total changes in plan net assets	\$ 600.9	\$ (1,081.7)	\$ (385.3)

## Benefits Paid to Members

Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

The *Schedule of Benefits Payments* to the right provides information on the total benefit expenses incurred by the Plan consisting of age and service, disability, and beneficiary death benefits.

## Investments

The standard for OPERS in making investments is to exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. In addition, funds are to be diversified so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. Funds of OPERS are invested solely in the interest of the membership and their beneficiaries, and defraying reasonable expenses of administering OPERS. The Plan's overall investment return for the year ended June 30, 2010, was 13.8%. The *Rate of Return* table to the right reflects overall investment returns for the Plan over the past five fiscal years.

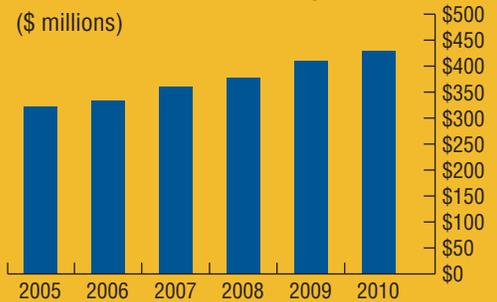
The Board of Trustees has established an investment policy and guidelines that identify asset allocation as the key determinant of return and diversification as the primary risk control element. Outside investment advisors are engaged to manage the investment portfolio. They execute the investment policy in accordance with the statutory authority, the Board policy and their respective guidelines, and may use full discretion within the policy and guidelines. At fiscal year end, the investment portfolio of OPERS was managed by 11 investment management firms. For fiscal year 2010, investments provided a 13.8 percent rate of return. The annualized rate of return for OPERS was negative 2.7 percent over the last three years and 3.0 percent over the last five years. At June 30, 2010, the allocation of the investment portfolio is shown in the *Asset Mix* chart to the right.

## Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. It must also have a revenue source sufficient to keep up with future obligations. The funding objective for OPERS is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that the participants can look at assets that are committed to the payment of benefits. The actuarial accrued liability and actuarial value of assets of OPERS as of July 1, 2010 amounted to \$9.6 billion and \$6.3 billion, respectively.

The OPERS funded status dropped to 66.0 percent at July 1, 2010, from 66.8 percent at July 1, 2009. It was 91.0 percent at July 1, 1997. The Legislature addressed the need for increased funding by increasing the employer contribution rate by 1.5 percent effective July 1, 2005. The next year the rate was increased 1.0 percent for state agencies with the continuation of the 1.0 percent increase each year until it was 16.5 percent in 2011. However this past legislative session, the rate was frozen at 15.5 percent for 2011 and will increase to 16.5 percent for 2012. Non state agency employers also had a rate increase effective July 1, 2006. The combined employee and employer contribution rate was increased 1.0 percent annually until July 1, 2011, when it would reach 20.0 percent. The *Funded Ratio* chart to the right shows the change in funded status over the past five fiscal years.

## Schedule of Benefit Payments

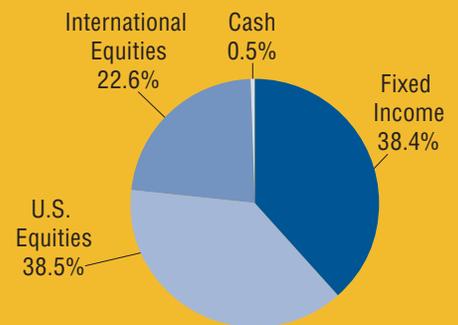


## Rate of Return

Year Ending June 30,	TOTAL
2010	13.8 %
2009	(15.4)
2008	(4.2)
2007	16.4
2006	8.0

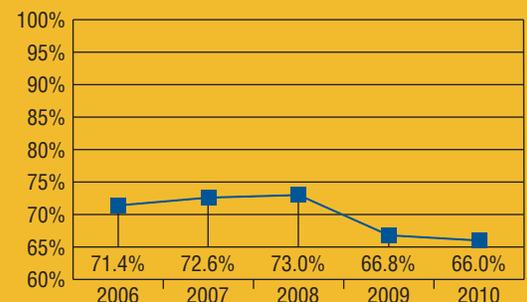
## Asset Mix

June 30, 2010



## Funded Ratio

As of July 1



# Oklahoma Public Employees Retirement System

## ANNUAL FINANCIAL REPORT SUMMARY

For the Fiscal Year Ended June 30, 2010

The **2010 Comprehensive Annual Financial Report** recognizes several of Oklahoma's architectural treasures. We invite you to view the full report online at [www.opers.ok.gov/publications](http://www.opers.ok.gov/publications) to see additional photos and a brief history of each building featured in the report.

### Featured Buildings:

**Philbrook Museum of Art**  
Tulsa, Oklahoma

**First National Center**  
Oklahoma City, Oklahoma

**Adams Hotel**  
Tulsa, Oklahoma

**Boston Avenue United Methodist Church**  
Tulsa, Oklahoma

**Skirvin Hotel**  
Oklahoma City, Oklahoma

**Mayo Hotel**  
Tulsa, Oklahoma

*All photographs provided by Hugh Scott Photography*

## OPERS Awarded for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Oklahoma Public Employees Retirement System for its Popular Annual Financial Report for the fiscal year ended June 30, 2009. The Award for Outstanding Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. OPERS has received the award for the last three consecutive years (fiscal years ended June 30, 2007, 2008 and 2009). We believe our current report continues to conform to the award requirements, and we are submitting it to GFOA.



**Oklahoma Public Employees Retirement System**  
P.O. Box 53007 • Oklahoma City, OK 73152-3007  
1-800-733-9008 • [www.opers.ok.gov](http://www.opers.ok.gov)

## 1099s are coming | Frequently Asked Questions

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**Q: What is a 1099-R?**

**A:** IRS Form 1099-R is an annual statement of disbursements and applicable taxes paid by a retirement plan. Each year, OPERS sends a 1099-R to all retired members who received benefits in the previous calendar year, or any active members who took a distribution of their employee contributions after they left employment with a participating employer.

**Q: When are 1099-R forms mailed?**

**A:** The 2010 Form 1099-Rs will be mailed no later than January 31, 2011. Please allow for normal delivery time. If you have not received your Form 1099-R by February 16, 2011, contact OPERS.

**Q: Why is the taxable amount (Box 2a) less than the gross distribution (Box 1)?**

**A:** You may have had after-tax dollars in your account at retirement. (This occurs if you made after-tax retirement contributions, used after-tax money to make a purchase, etc.) This reduces the taxable portion of the total amount, thus accounting for the difference in the two amounts.

**Q: Where do I find the amount withheld for federal and state taxes?**

**A:** The amount of federal income tax withheld is located in Box 4, and the state tax withheld is found in Box 10.

**Q: What does the number in Box 7 represent?**

**A:** See the back side of copy "C" of your 1099-R form for an explanation of distribution codes.

**Q: Box 11 is left blank. What is that number?**

**A:** The number for Box 11 is the same as the Payer's Federal Identification Number on the left side of the form.

**Q: How do I determine how much was withheld from my 2010 retirement for medical insurance premiums?**

**A:** If you had medical insurance premiums withheld from your OPERS monthly benefit, that amount will appear on the left hand side of the form under the box containing your name and address.

**Q: Why did I receive more than one 1099-R?**

**A:** If you received more than one 1099-R form from OPERS, it means you also received a distribution as a beneficiary of someone else's account. You should be able to determine from the amounts which 1099-R is for which distribution, but if you still have questions, contact OPERS.

**Q: How do I get a duplicate copy of my 1099-R?**

**A:** You may request a duplicate Form 1099-Rs in writing, by e-mail, or by calling OPERS. All requests must include your name, Social Security number, tax year requested, mailing address, the benefit type, daytime telephone number, and signature. Please allow 10-15 business days to receive your 1099-R.

## Information is Power! | New retirement planning seminars in development

*(Continued from page 1)*

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We will also make the courses available in an e-learning format on our website. Each course will be broken down into chapters enabling you to access the seminars at your convenience and at your own pace. The live seminars will also be scheduled around the state and will be available after the initial testing with the focus group employers.

### CONTROLLING YOUR FINANCIAL FUTURE

**Who should attend?** This seminar is designed for the member in the early to mid-stage of their career. However, members closer to retirement may also find useful information in this presentation.

**What will you learn?** You will learn how to review your present money behaviors, how to evaluate and understand your current financial situation and make appropriate changes, and how to set goals, pay down debt and use a spending plan to become more financially secure.

### RETIREMENT INCOME MANAGEMENT

**Who should attend?** This seminar is designed for newly retired members or those approaching retirement and want to make informed decisions about when to retire and how to convert retirement savings into retirement income.

**What will you learn?** You will gain a better understanding of the risks facing retirees, the challenges you will face before you retire, and gain tools to make more informed decisions about when to retire and how to take distributions from retirement savings and pensions.

### STAY TUNED!

OPERS will be working with our participating employers to roll out these new education programs to members. Watch the OPERS website, as well, for more information.

## The Director's Corner Pension Reform Isn't Painless

(Continued from page 1)

The "dot.com" bubble burst and negative returns became the *new* reality in 2000, which was quickly followed in 2001 by the financial scare from the 9/11 aftermath. The economy stumbled and the Oklahoma state budget shrank. There was no money for anything – especially for OPERS. Reality and sanity seemed to mark the first decade of the 2000s. Benefits in most systems leveled off and the Legislature passed the Oklahoma Pension Legislation Actuarial Analysis Act in 2006 that required the Legislature to pay for pension increases. Now we've seen the financial markets and the economy almost fall off a cliff in the fall of 2008.

Guess what? It's time for more reform. Whether we like it or not, the increase in unfunded pension liability means Oklahoma cannot sustain the present level of benefits without making some changes. More money from the Legislature to rescue the under-funded plans seems highly unlikely at best. Retirees' benefits cannot be taken away, and vested members certainly have some legal protection too. However, the remaining choice for reform may mean lowering benefits for future public employees. "Ouch!" The unfortunate reality of even the most well-intentioned efforts is that reform generally hurts someone.

## Contact OPERS

### Mailing Address:

Oklahoma Public Employees Retirement System  
Post Office Box 53007  
Oklahoma City, Oklahoma 73152-3007

### Local Phone:

(405) 858-6737

### Outside Local Calling Area:

(800) 733-9008

### Website:

[www.opers.ok.gov](http://www.opers.ok.gov)

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*This summary is for informational purposes only. Individual requirements and benefits may differ, depending on circumstances. Consult the plan provisions or OPERS for detailed information.*

*Mailed December 2010.*



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